

# California Debt & Investment Advisory Commission



## ***How to make Sense of the Debt Issuance Process AND Your Role in the Process – The Issuer's Perspective***

*Presented by:*

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***September 8, 2005***

# ***I. Deciding When to Issue Debt:***



**capital Improvement**



**real property and equipment**



**operating expense (pension liability, prepaid services)**



**pay-as-go or pay-as-use (intergovernmental equity)**



**cost-benefit analysis**









**political expediency**




**affordability**

## ***II. Deciding on Debt Instrument:***

- 
-  **General Obligation Bonds**  
(property tax – General Fund)
  -  **Lease Revenue Bonds**  
(General Fund)
  -  **Certificates of Participation**  
(General Fund or Enterprise Fund)
  -  **Enterprise Revenue Bonds**  
(Airport, Housing Authority, Parking Authority, Port Commission, Public Utilities Commission)
  -  **Tax Increment Bonds**  
(Redevelopment Agency)

### ***III. What is Financed with Public Debt?:***

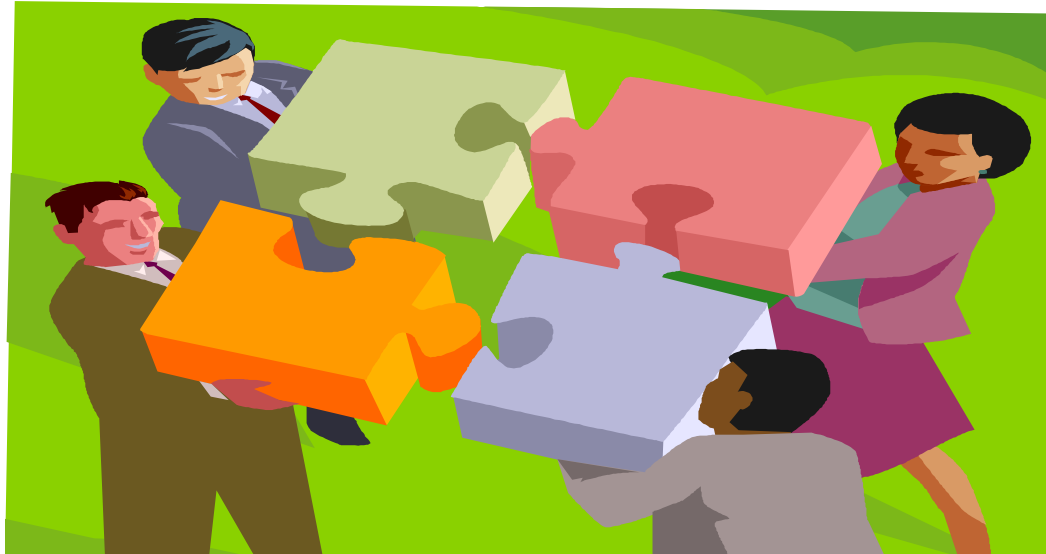
 **Facilities, equipment or infrastructure (roads, curbs, gutter, sidewalks and utilities)**



# ***IV. Devising the Financing Team:***

 **1. Participants**



 **2. Selection of Participants**



# ***V. Kickoff Meeting:***

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-  **1. Deal Characteristics**
-  **2. Participant Roles and Assignments**

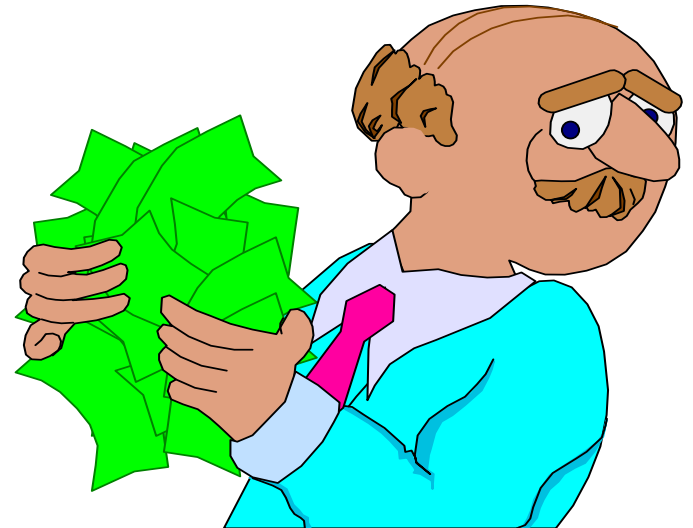
# ***VI. Review and Analysis:***

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 **1. Structuring the Financing**

 **2. Issuer Due Diligence**

 **3. Documentation**



## ***VII. Public Approval Process:***



 **1. Governing Body Review**

 **2. Constituency Review**

 **3. Voter Approval,  
If Any**





# ***VIII. Preparing For Market:***



 **1. Securing a Credit Rating**

 **2. Bond Insurance?**

 **3. Investor  
Presentations?**

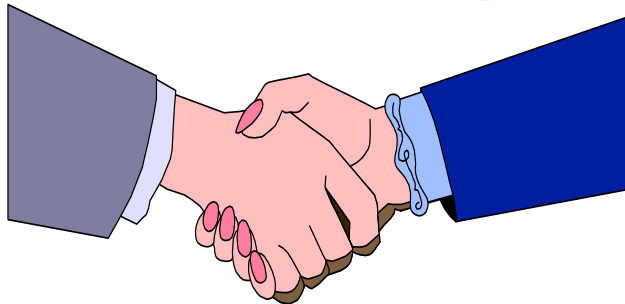


# ***IX. The Actual Sale:***

 **1. Targeting the Market**

 **2. Pre-Pricing and Pricing**

 **3. Closing**










# ***X. Administration:***

-  **1. Expending Proceeds**
-  **2. Investing Funds**
-  **3. Rebate Compliance**
-  **4. Annual Disclosure**
-  **5. Ongoing Investor Relations**



# ***X. Administration:***


## ***(CONT.)***

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-  **6. Implementation of Debt Policy**
  -  **7. Manage bond proposals**
  -  **8. Work on new transactions**
  -  **9. Participate in budget decisions**
  -  **10. Monitor financial events**
  -  **11. Participate in annual CIP program**

# ***From Process to Perspective***



## ***XI. To Bear In Mind Throughout***

- 
- **Our job is to achieve the lowest debt service cost, legally, and within appropriate risk parameters**
  - **Municipal bond issues sometimes have significant political implications**

## *To Bear In Mind (Continued)*



- **“Going Public” with a bond offering means taking on serious scrutiny from Investors, the SEC, the IRS, and the State of California**
- **We are responsible for our own bond issues**

## **XII. Issuer's Perspectives on Fees for Professional Services:**

- **Bond Counsel Fees**
- **Underwriter's Discount**



### ***XIII. Perspectives on the Current Markets are Shaded by:***



- **Disclosure to Investors**
- **Land Secured Financing:**
  - **Assessment and Mello-Roos Bonds**
- **Taxable Debt Issues**
- **Reinvestment of Bond Proceeds**
  - **Fees, “Yield Burning”, and Opportunities for Collusion**
  - ***Any Bond Structure Dependent on the Performance of Reinvestment Should be Examined Very Carefully***

## ***Current Markets Shaded by (Continued)***



- **Undisclosed Fees on SWAP Transactions**
- **Escrow Restructurings**
- **Back-loaded Debt Service**
- **TRANS**

## ***XIV. Requests for Conduit Financing***

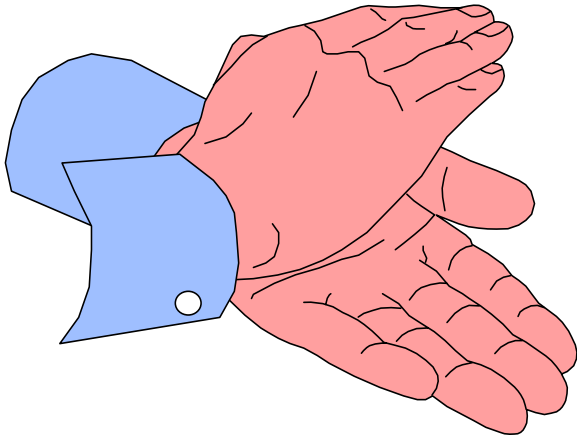


- **A Different Role for the Issuer**
  - Nonprofit or Developer Borrower
  - Government Entity Issuer
- **State and JPA Alternatives Available**
- **Conduit Debt Issuance Policy Important**
  - Credit Guidelines
- ***How will a Jurisdiction's Debt Issuance Policy and Practice Differ for Conduit Financing***

# ***Thank You!***

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***Association of Bay  
Area Governments***